

## Office Memorandum • UNITED STATES GOVERNMENT

TO : Director, FBI

DATE: 7-20-48

FROM : SAC, San Diego

Declassified

Authority: 35942 By:

Britney Crawford Date:

04-08-2014

SUBJECT: FOUNDRY ASSOCIATES, INC.  
NEUTRALITY ACT

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Enclosed herewith are confidential reports dated 4-28-48, 7-13-48, and 7-14-48 which were received by this office from the District Intelligence Office, Eleventh Naval District, San Diego, California. From reading the first two reports, it appears that the Bureau and the Los Angeles office are thoroughly cognizant of the investigation being conducted in this case. (S-1)(C)

With reference to the report dated 7-14-48, the Bureau is advised that the individuals referred to as sources "A" and "B" are: Mrs. TEMPLETON TAYLOR and Mrs. FRED DAHMS, both of whom reside at Box 311, Palm City, California. (S-1)(C)

Mrs. TAYLOR and Mrs. DAHMS called at the San Diego Office on July 6, 1948, at which time they furnished practically the same information as that contained in the DIO report dated 7-14-48. The fact that they had been in the office and that this office had had no record of the matter was brought to the attention of Commander G. T. O'NEILL, Acting District Intelligence Officer, on the occasion of the weekly ONI, IDA, FBI Conference. Commander O'NEILL was very much interested, and he was given the names of the two women in order that arrangements might be made for their interview. (S-1)(C)

Also enclosed are clippings from the "Los Angeles Times" newspaper dated 7-14 and 7-15-48.

Inasmuch as there appears to be no further action to be taken by this office at this time, same is being referred to the Bureau for its information.

CLASS BY

SP-6 BSA/LP 10-27-82

EX-91

Enclosure (5)

FCD:jec

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cc - Los Angeles

DATE

Sp7 Mac/dd 4/21/88

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CONFIDENTIAL

58-48

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DIO-11ND

San Diego

28 April

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(a) 11ND NNI-96 rpt #48-48, dtd 3/30/48, same subj.

Confidential Informants

A-1

PANAMA-PALESTINE - Commercial Air Line, establishment of.

BRIEF: Reference NNI-96 report briefly reported the establishment of an air line which is to operate between Panama and Palestine. This report goes into much greater detail, relates latest developments, includes information on attempts to export 42 combat military aircraft engines without State Department license in violation of law, and gives detailed background information on the principals involved, which may be of interest to Naval Attaches at Panama and the Near East.

Note: This information is as of April 1948

SOURCE: Investigation in cooperation with two other agencies of the federal government at Los Angeles. Sources one through thirteen are confidential informants, and while their information is in minor detail slightly at variance, all are believed to be reliable.

REPORT: PANAMA-PALESTINE - Commercial Air Line - Service Airways, known in Panama as LINEAS AEREAS DE PANAMA.

In connection with the investigation of one Albert MILLER who was associated with Leonard WEISMAN of Foundry Associates, Incorporated, and who was involved in the purchase of M3 demolition explosives from the War Assets Administration for ultimate shipment to Palestine, the following information developed which indicates a general tie-in of Jewish agencies purchasing war materiel in the United States with the SERVICE AIRWAYS, INC. This company is setting up a Panama-Palestine air line under the name of LINEAS AEREAS DE PANAMA, and recently attempted to export 42 combat military aircraft from Los Angeles to Panama in violation of State Department regulations.

I. Excerpts from a report made at Los Angeles 1/16/48 by source #1:

(a) An interview of confidential source #2 indicates that A. E. OSCHWIMER, whose residence address was given as 206 Poplar Street, Bridgeport, Connecticut, had opened an account at a Los Angeles bank on 3 December 1947. He was listed as an aero-engineer, born in New York City. He listed the Westside Bank and Trust Company of Bridgeport, Connecticut as a bank reference.

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stated that Mr. A. W. SCHWIMMER had purchased three of the Constellation planes then on the Lockheed Air Terminal. Mr. SCHWIMMER was to be granted the privilege of selecting the three best Constellation planes out of the total of six then on the field. Source #5 stated that he had delivered two planes to SCHWIMMER after SCHWIMMER had made the selection of the three that he desired to purchase, and that he had received the impression that the planes were to be flown to South America. He further commented that SCHWIMMER seemed very "closemouthed" about the necessary parts for modification of the airplanes. The three Constellations purchased by SCHWIMMER bore the following Army Serial numbers: C69-43-10316, C69-43-10315, and C69-43-10313. According to source #5, all engines on all three planes were Wright 2200 horsepower engines of Type R 3350-35.

(e) Interview of Adolph William SCHWIMMER, 206 Poplar Street, Bridgeport, Connecticut. Mr. SCHWIMMER was interviewed at Lockheed Air Terminal on 14 January 1947, by source #1. Mr. SCHWIMMER stated his local temporary address is 3611 N. San Fernando Road, Burbank, California. He gave the following information concerning himself: Age 30, born 10 June 1917 at New York City. Marital status-single. National lineage-Jewish. Occupation-Flight Engineer. Background-Member of Air Transport Command in World War II. Pilot's License #59667. Parents-John and Fanny SCHWIMMER, presently residing in Bridgeport, Connecticut.

Mr. SCHWIMMER stated that he was accompanied to Los Angeles by Mr. Reynold SELK, 35 Kensington Street, New Haven, Connecticut. Mr. SELK's activities were described as parts man and factory contact for the purpose of expediting new parts for airplanes.

Mr. SCHWIMMER stated that he is presently engaged in directing the modification of three Constellation airplanes at the Lockheed Terminal and that the operation will be completed approximately February 15, 1948. He stated there has been considerable idle talk about the ultimate destination of the three Constellation planes now undergoing modification. He stated that he has kept all information confidential inasmuch as he did not desire any publicity be given the fact that the Jewish Agency was purchasing airplanes in the United States, and that he specifically did not desire that any representatives of the Arab nation should receive the information.

He stated there was positively nothing illegal about the whole operation, but that the operation was shrouded in secrecy as a precautionary measure. He stated that he had formerly been employed by the Trans-World Air Lines as a flight engineer and had crossed the North Atlantic in that capacity 280 times. He claims to be well versed in the operation and maintenance of Constellation airplanes.

About September 15, 1947, SCHWIMMER stated he received a telephone call from Mr. Albert MILLER, who was then in New York. The telephone call was made to his home in Bridgeport, Connecticut. He stated that at that time he had just arrived from Wilmington, Delaware on termination of a flight across the Atlantic. Albert MILLER advised SCHWIMMER that he would like to talk to him on a matter of great importance and it was arranged that they would meet on the corner in front of the Grand Central Station, New York City, across the street from the air lines terminal.

SCHWIMMER went to New York and met MILLER as had been planned, and they immediately went to the office of the Pratt Steamship Company, 41 East 42nd Street, New York City. SCHWIMMER described Albert MILLER as follows: Age-about 50, height-5'7", weight-130, build-thin, hair-black, eyes-brown or green, race-Jewish, characteristics-smooth shaven, no scars, speaks with Jewish accent.

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The opening deposit was \$20,000.00. Source #2 commented that SCHWIMMER came to the bank on 3 December 1947, with a cashier's check in the amount of \$20,000 from the Chase National Bank in New York City. SCHWIMMER stated that he was buying three Constellation airplanes from the War Assets Administration and that he was going to be a resident for approximately two months while the planes were undergoing modification at the Lockheed Air Terminal, Burbank, California. SCHWIMMER commented that he was an ex-flyer and had previously flown as flight engineer for the Trans-World Air Lines. One R. SELK was listed as accompanying SCHWIMMER to Los Angeles to ready the Constellation planes. A review of SCHWIMMER's account reflected that a deposit was made in the form of a cashier's check from the Chase National Bank, New York on 6 January 1948, in the amount of \$35,000. As of 12 January 1948, SCHWIMMER's balance was \$67,116.45. A review of the records made 10 March 1948 revealed that on 28 February 1948, a deposit of \$50,000 was made to the account of Adolph SCHWIMMER and Ray SELK. On February 3rd, \$59,000 had been deposited to their account. Both deposits had been telegraphic transfers from the Chase National Bank in New York City.

(b) Interview of source #3: This source stated that he received a telephone call from source #5 approximately two months ago stating that one A. W. SCHWIMMER had purchased three Constellation planes from War Assets Administration, which planes were at that time located on the Lockheed field, and that SCHWIMMER was to appear at the Lockheed Air Terminal to ready the above mentioned planes. When SCHWIMMER arrived in Los Angeles, he immediately let it be known that he did not wish to discuss the ultimate destination of the Constellations purchased, advised that he would pay cash for all the necessary parts, and desired to hire personnel acquainted with the Constellation airplanes. Source #3 stated that he had learned through a local bank that SCHWIMMER's funds were coming through the Chase National Bank in New York. From a representative of the New York bank, he learned that the money was coming from "a large law office in New York City". Source #3 also stated that the Lockheed Company was preparing approximately \$8,000 worth of parts to be used on SCHWIMMER's Constellations. According to source #3, SCHWIMMER rented facilities on the Lockheed air strip, and persons employed in the reconditioning of the three Constellations dubbed the planes "The Palestine Express".

(c) Interview of source #4: This source stated that SCHWIMMER had been on the Lockheed air strip for thirty-four days reconditioning three Constellation planes which had formerly belonged to the U. S. Army; that SCHWIMMER had pirated employees from the Lockheed Company, and was using bad parts in the modification of the planes. He stated that the Lockheed Aircraft Company was somewhat concerned about the whole operation inasmuch as any resulting air tragedies would reflect on the Constellation plane, which had already received bad publicity in the past. He stated, however, the Lockheed Company could take no action against SCHWIMMER. He stated that SCHWIMMER seemed very secretive about the whole operation, refusing to tell the name of the person who had given him financial backing. He seemed to ward off inquiry with the statement that the whole transaction was "cash on the line", and seemed to resent further inquiry. There had been a rumor that the planes were destined for Spain but that he had no authentic information regarding this.

(d) Interview of source #5: According to source #5, SCHWIMMER had declared six Constellation planes surplus to the War Assets Administration. All six planes were at the Lockheed Air Terminal. He stated that about two months ago source #12 at the War Assets Administration advised him that Mr. WADSWORTH, Director of Surplus

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MILLER advised SCHWIMMER that he was in New York as a representative of the Jewish Agency and that he resided in Palestine. He further commented that he was in the United States to start a nucleus air transport line in anticipation of ultimate air transport service to Palestine. He stated that he felt the Jews would establish a nation in the Palestine area in the very near future. SCHWIMMER was asked his qualifications and MILLER seemed to be thoroughly satisfied with his qualifications and asked SCHWIMMER to work for him.

SCHWIMMER stated that he was willing to work for MILLER but that he refused to do anything which would possibly be of an illegal nature. MILLER assured SCHWIMMER that everything about the deal would be legal. SCHWIMMER was advised to keep the transaction on a confidential basis. SCHWIMMER stated that he did not know the names of other persons connected with MILLER and that he did not recall MILLER stating anything about the FOUNDRY ASSOCIATES, INC.

MILLER stated that they were interested in long range aircraft for the purpose of transporting freight to Palestine and desired that SCHWIMMER locate planes of that type in the United States. SCHWIMMER stated that planes of the Constellation or DC-4 class would meet the necessary requirements and made that recommendation to MILLER. MILLER was agreeable and authorized SCHWIMMER to go to Los Angeles to look at Constellation planes at the Lockheed Air Terminal. SCHWIMMER returned to New York, obtained \$45,000, and went to Washington, D.C. and purchased three Constellations from Mr. Thomas WADDEN, Director of Surplus Aircraft, War Assets Administration, Washington, D.C.

SCHWIMMER stated that he came to Los Angeles approximately six weeks prior to the interview and made arrangements to ready the planes. He then telephoned MILLER at the Pratt Steamship Company and stated that he needed approximately \$20,000 to get the operation started. This money was immediately forthcoming and a bank account was opened at Los Angeles.

SCHWIMMER later received cashier's checks from the Chase National Bank in the following amounts: \$20,000, \$50,000, and \$35,000. He has received a total of \$125,000 to ready the planes. (Note: A check-up of the bank records indicates another deposit of \$59,000).

He stated that though he has no first hand knowledge of the backing of Mr. Albert MILLER, he believes that the Jewish Agency is supplying all money for the transaction. He stated that when the planes are completed they will be flown to Millville, New Jersey. He believes this will be about February 15th. SCHWIMMER is employing former Lockheed employees to condition the planes. He is paying his employees at the rate of \$1.50 per hour and is paying Mr. SELK \$300 per month for his services.

SCHWIMMER stated that he desired to go on record as being quite aware of the fact that it is illegal to take planes out of the United States without proper State Department clearance. He is seeking licenses for the three planes from Mr. McBRILL, George HALDERMAN, and C. T. HOLLMAN of the Civil Aeronautics Authority in Los Angeles.

SCHWIMMER is presently writing a manual which he hopes to have completed in approximately another month. He claims that a manual is necessary before the Civil Aeronautics Board will authorize the transport line. The manual will outline the route to be flown, frequency of flights, operational procedures, duties of officers, etc. SCHWIMMER contemplates a conference with the Civil Aeronautics Board in Washington, D.C. for the purpose of licensing the proposed air line.

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Mr. SCHWIMMER advised that the planes were undergoing modification for the purpose of flying air freight and that the line is to be operated by SCHWIMMER until the company is established, after which the Jewish Agency will take over the operational part of the endeavor.

SCHWIMMER stated that he was frankly very surprised at the trust placed in him by Mr. MILLER, stating that all of the airplanes were purchased in his name and that the \$125,000 was also banked under his name exclusively. SCHWIMMER believes this trust was placed in him because of his Jewish lineage and his sympathy with the Jewish cause in Palestine.

He stated that he was a bit disturbed about recent news of the shipment of TNT to Palestine. He commented that he knew nothing of the deal. He stated that MILLER had never commented to him as to the nature of the cargo which was to be taken to Palestine. SCHWIMMER stated he would withdraw from the deal should he be asked to transport any illegal cargo.

II. Excerpts from a memorandum made at Los Angeles by source #1:

On 19 January 1948, source #4 stated that Adolph William SCHWIMMER had secured five C-46-Curtis Commando planes which had been brought from an unknown point to the Lockheed Terminal for modification.

III. Excerpts from a report made at Newark, New Jersey by source #6, 17 March 1948: (made available for review by source #1.)

Reference is made to paragraph I above which reflects that Adolph William SCHWIMMER purchased three war surplus Constellation planes for Albert MILLER, representative of the Jewish Agency for Palestine. Two planes were being conditioned at Burbank, California by SCHWIMMER, and were to be flown to Millville, New Jersey, about 15 February 1948, and used to transport freight to Palestine. It is noted that Albert MILLER was associated with Leonard WEISMAN of Foundry Associates, Incorporated, who was involved in the purchase of M3 demolition explosives from the War Assets Administration for ultimate shipment to Palestine.

Inquiry by the Newark source revealed that the Millville, New Jersey airport is owned by the city of Millville, and had been rented to the Tri City Airport Company, a local concern which had difficulty in paying rent for the airport until January 1948 when it made an agreement with Service Airways, Incorporated for partial use of the field by the latter organization. One Constellation plane of Service Airways, Incorporated, arrived at the Millville Airport on 24 January 1948. Service Airways plan to transport freight to France and the Near East, and the first trip was to be made to Europe in the latter part of March 1948. A. W. SCHWIMMER is in charge of Service Airways and Willie SOUSHAU (SOUSHAW) is flight engineer for the firm. Confidential sources of this office advised that Service Airways officials had been evasive as to the type of cargo they would handle. Informant noted that Service Airways had a \$500,000 bank account at Chase National Bank in New York City. Another confidential informant reported that Service Airways, Incorporated was incorporated under New York laws in 1944. Irving SCHINDLER is President, Irwin SCHWARTZ, Vice President, and Edith SCHINDLER, Treasurer of the corporation. Active operations of Service Airways began on 1 February 1948. The office of this company was at 202 Fifth Avenue, New York City, until November 1945 when the corporation ceased activities and its headquarters was moved to 9508 Queens Blvd., Rego Park, Long Island, N.Y. (Note: Later in this report the address appears as 250 W. 57th Street, NYC)

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Irving SCHINDLER, 32 years of age, married, born in the United States and a graduate of the University of Florida, was reported to have been a commercial pilot for American Overseas Air Lines for 4½ years. From October 1942 to June 1947, he was employed with American Export Air Lines, and at Sussex County Airport in New Jersey. Irwin SCHMIDTZ is reported to be 27 years of age, single, and formerly a U. S. Air Force navigator and radio operator. He was said to have been employed for two years as a radio technician for TWA in Cairo, Egypt. According to informant, Service Airways is to operate a non-schedule air freight service to different parts of the world from Millville, New Jersey. It is said to have cargo commitments for 13 months. At the present time Service Airways has one Constellation plane and three C-46 cargo planes based at the Millville Airport. In addition, Service Airways has two other Constellations and twelve more C-46 planes. The Constellation plane of Service Airways was due to leave the Millville Airport without cargo for Panama on 4 March 1948, but was delayed due to bad weather.

Five Maintenance men employed by Service Airways were reported to have applied for passports to go to Panama, and Service Airways officials tried to make arrangements with Customs and Immigration and Naturalization authorities at Philadelphia to establish wire service between Millville Airport and Philadelphia so that Customs matters could be handled at Millville. However, these arrangements were not completed and it is necessary for Service Airways to utilize the offices of those agencies at Philadelphia. The informant noted that Service Airways had both Civil and Aeronautics Board and Civil Aeronautics Authority licenses.

On 5 March 1948, an informant of source #6, advised that Service Airways had obtained a Panamanian Charter and was now listed as LÍNEAS AERIAS DE PANAMA. Planes of the corporation were to be flown under the Panamanian flag, but Service Airways would still control its operations. Informant further advised that one of the C-46 cargo planes owned by Service Airways left Millville Airport on 5 March 1948 with a crew of five for Teterboro Airport, Teterboro, New Jersey, where it was to pick up freight and then proceed to Rome, Italy. Sam E. LEWIS was reportedly the pilot of this plane.

Another confidential informant reported that the following employees of Service Airways had letters issued to them for passport purposes:

Harold L. WALTER, 1012 S. Hudson Avenue, Los Angeles 6, California,  
William H. ALON, 734 S. Griffith Park Drive, Burbank, California,  
Preston S. SPOFFORD, 17515 Horace Street, Granada Hills, California,  
Robert J. JONES, 1867 S. West Temple Street, Salt Lake City, Utah,  
Don S. Roberts, 3102 W. Oak Street, Burbank, California,  
Ernest R. SCHMIDT, 345 N. Brand Boulevard, Glendale, California,  
Raymond L. J. J. J. J., 14614 Vose Street, Van Nuys, California.

Informant advised that on March 10th, Service Airways, Incorporated had loaded one Constellation plane and one C-46 cargo plane with large packing crates, contents unknown. Both planes were scheduled to leave on March 10th for an unknown destination. Philadelphia Customs authorities had no knowledge concerning shipment leaving either Millville or Teterboro Airports, New Jersey, for foreign countries. It was indicated that if shipments had been made from these ports they could possibly have been cleared at Lufkin Field, New York, Norfolk, Virginia, or Miami, Florida.

Information developed then, indicated that Service Airways had maintenance work done on their planes at Teterboro Airport in New Jersey by Willis Air Service. It is then noted as a matter of possible interest that a Willis Air Service DC-4 plane was utilized by Hollis B. SMITH and Lincoln GARDNER to

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transport arms and munitions to Havana, Cuba, and that two pilots employed by Willis Air Service were indicted for their part in the transaction. Informant pointed out that there were no Customs or Immigration Service authorities at Teterboro Airport, and that it would not be difficult for a plane to load cargo without inspection and take off for any destination.

IV. Excerpts from a report made at Los Angeles 9 April 1948 by source #1:

It has been determined that A. W. SCHWELMER and his associate Ray SELK, are still busily engaged in converting Constellation and C-46 airplanes for transport work. The following additional information was developed: Informant advised that SCHWELMER purchased another C-69 Constellation airplane bearing Serial Number 1962. The plane is now at the Lockheed Air Terminal being converted. Purchase was made on 16 March 1948. Informant was advised that the plane will be used to fly in a proposed air line from Panama to Spain.

In an interview held 9 March 1948 with source #7, made jointly by source #1 and an officer attached to the Los Angeles Naval Intelligence Office, source #7 advised that he has been in contact with SCHWELMER on several occasions recently and learned that SCHWELMER is now attempting to buy P-51B fighter planes. Source #7 advised that he is a pilot and flew fighter planes during World War II. According to his information, the P-51B fighter plane packs the most fire power of all of the P-51-type craft. SCHWELMER's aide, Ray SELK, was said to have exhibited continuous interest in the purchase of P-51 planes. On March 5th, Ray SELK contacted source #7, and advised him that he wanted ten more P-51B's. He said he wanted them fully equipped and wanted the machine guns intact. SELK also advised source #7 that the deal would be strictly cash and that he would pay 5% for locating the planes. Source #7 stated that the P-51-type aircraft cannot be licensed in the United States, except that with a purchase from the War Assets Administration, a ferrying permit is issued to fly it to the home address of the purchaser. It is also possible to get a license to fly a P-51 in the Bendix Races. Source #7 believes that SELK and SCHWELMER plan to take the P-51 planes out of the United States.

On 6 March 1948, SELK advised source #7 that the company he represented had ten million dollars to purchase aircraft and necessary equipment. Source #7 stated that in his opinion SELK planned to take the planes to Palestine or Arabi but he had no substantiating information. To corroborate his information, source #7 advised that one Gene TIGER had returned to Los Angeles in the last month after spending considerable time in Arabia. TIGER advised source #7 that he had been flying in Arabia and had a plane that would fly 300 miles per hour. In the opinion of source #7, this would mean that TIGER had flown P-51 or P-38 fighter-type craft. Source #7 further believes that the planes are possibly destined for Arabia or Palestine inasmuch as SELK has specifically indicated that the P-51 planes must have Merlin engines. Source #7 advised that his experience with the P-51 has proved that the Merlin engine is superior to the Allison engine for flying in hot climates.

In an interview on 17 March, source #7 advised that about two weeks previous he had taken Mr. Ray SELK to the Linceo Landing Field, Inglewood, California, and had shown him three P-51 planes presently for sale. The planes are said to be owned by Mr. Donald FRIEDMAN and are on sale for \$5,500 each. To date, SELK has not purchased any one of the three P-51 planes.

Another informant at Lockheed Air Terminal advised that William TIGER (or TIGER) and Donald FRIEDMAN left for Panama to prepare an air base for Dr. SCHWELMER. This same informant stated he had heard that the Constellation planes presently being overhauled by SCHWELMER could not be licensed in the United States and that the air line planned to move to Panama.

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On 11 March 1948, source #8 was interviewed. He advised that he was working for SCHWIMMER and SELK on week-ends while regularly employed by the Lockheed Aircraft Corporation. He claims to be a pilot and an expert airplane mechanic. He advised that one Ernest STELIC, who formerly worked at Lockheed Air Terminal, had now left for Italy where he plans to set up an airfield for SCHWIMMER's proposed air line. Source #8 advised that it was also general information that Harold WATERS, Donald ROBERTS, William BLOOM, and one other unidentified person had left for New York City. In turn, they were to be flown to Panama where they will seek locations for an air strip for the servicing of airplanes. This strip is to be used by SCHWIMMER's air line. Source #8 stated that SCHWIMMER's employees approximate fifty men at Lockheed Air Terminal. He stated that at the present time, SCHWIMMER was engaged in conditioning three C-59 planes and five C-46 planes.

On 15 March 1948, source #8 advised that SCHWIMMER had told his employees that he was planning to fly 200,000 Greeks to Venezuela, and had further told them that the Civil Aeronautics Authority in the United States would not license his C-69 planes and he was, therefore, going to base them in Panama where they could be licensed (Note: Reference report indicates that SCHWIMMER deliberately started a false rumor that the planes would be used for flying 200,000 Greek nationals from Greece to Venezuela to throw competitors off in starting a freight service to Palestine).

On 24 March 1948, source #9 was interviewed. He advised that he has been in contact with Adolph SCHWIMMER on several occasions and to date has not licensed any of the C-69 or C-46A airplanes owned by SCHWIMMER. He advised that on several occasions SCHWIMMER has made application for licensing of planes, but to date none have been granted as the airplanes owned by SCHWIMMER's company do not meet CAA specifications for licensing in the United States. In regard to the C-69 planes, source #9 advised that the planes are of an early vintage and do not meet numerous requirements. One primary requirement not met was that CAA required that all of the engines be converted to the fuel engine type rather than using the carburetor type of fuel consumption presently on the C-69 planes. SCHWIMMER objected to converting the engines to fuel consumption inasmuch as it would require a great expense. In regard to the C-46A planes owned by SCHWIMMER, they have not been licensed inasmuch as the "tail control" does not meet CAA specifications and SCHWIMMER had advised source #9 that he cannot stand the expense of changing the "tail control" operation of the planes.

Source #9 advised that so far the CAA has issued ferrying permits to take the planes to Millville, New York (probably means New Jersey). On one occasion, SCHWIMMER painted an "NX" license on one of the C-69 and source #9 insisted that the "NX" license be removed. Source #9 explained that "NX" means that the plane is of an experimental type.

Source #9 advised that although he could not positively state, he is of the opinion that none of the airplanes owned by SCHWIMMER could be licensed by the CAA in the United States. He states that although he could not prove it, he has heard that the planes are to be licensed in Panama, and also that F. R. LEWIS, Chief Pilot for SCHWIMMER told an applicant for a job that they were going to haul refugees from the Middle East to Venezuela. Source #9 advised also that he heard from a reliable source that SCHWIMMER was backed by a large organization of rich Jews in New York City.

V. Excerpts from a letter from the Collector of Customs at Los Angeles to the Examinations Control Division of the State Department, Washington, D.C., made available for review by source #10:

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"On 13 April 1948, an attempt was made by John L. Westland and Son, Inc., (Customs Broker) and/or Service Airways, Inc., and/or Maxwell Associates, Inc., to export combat military aircraft engines from this port (Los Angeles) without an export license having first been secured. This attempt was made regardless of definite information given by this office to the exporters that military aircraft engines, not showing on the State Department "free" list, were restricted for export unless clearance was made under a valid State Department license.

"In the face of this information, and knowing that the type of engines they were attempting to export were not on the free list, the exporters in question filed false declarations with this office, classifying the engines they were attempting to export as being R-2800-CA-15, which engine did not require a license until midnight of the 14th. The vessel they were attempting to make was to clear in the afternoon of the 14th (for Panama).

"At the time of clearance of his documents, the exporter was questioned as to whether or not the engines being offered for export were R-2800-CA-15. They stated definitely that the engines were as then classified. Inasmuch as it appeared evident that the exporters were endeavoring to get this shipment out of the country in violation of State Department regulations, our inspection force was requested to examine the merchandise on the dock. This examination disclosed that the engines were new combat aircraft surplus engines, in original factory cases, made by Pratt & Whitney Aircraft Corporation with a model designation of R-2800-107. Contact was made with a technical engineer of the Pacific Aircraft Corporation (who are Pratt & Whitney representatives) and it was determined that this engine was built for use on the Army P-61-A and D, the Navy F6F3, 5, and P or the British Hellcat I.

"Although the exporter at the same time was shipping some blower shafts, which he claimed would later be used to modify these engines to a CA-15-type, the Pacific Aircraft engineer informed us that even if the engines had been modified prior to export that they still would not be a CA-15 engine nor could they use, for example CA-15 propellers on the engine as modified, but actually the modification, although being similar to a CA-15, would convert the engines to an R-2800-51 and that had the modification been done prior to export, the engines would still definitely be military engines."

VI. Miscellaneous data relating to attempt at illegal export of 42 military aircraft engines:

A seizure of the merchandise has been effected by Customs at Los Angeles, and a warrant for further detention is being secured and the case will be turned over to the United States Attorney's office at Los Angeles for further action.

A check of the Export Declaration filed on the above indicates that it is for 42 airplane engines. John L. Westland and Son, Inc., Customs Broker at Los Angeles is shown as the broker involved, and Service Airways, Inc., 230 E. 57th Street, New York City, as the exporter. The consignee of the engines is LINEAS AEREAS DE PANAMA, Tocumen Airport, Republic of Panama.

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DIO-11ND Serial 58-48

25 April 1948

Subject: PANAMA-PALESTINE - Commercial Air Line, establishment of.  
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Note: This information is as of April 1948

81202 "

One of the truck drivers who delivered the airplane engines to the shipside stated that he picked up his load at Westland & Maxwell Associates, 2801 Santa Fe Avenue, Vernon, California.

Investigation indicates that there is no such firm as Westland & Maxwell Associates. However, at 2801 Santa Fe Avenue, Vernon, there is a Maxwell Associates, Inc. Records of the City Clerk's office at Vernon indicate that Maxwell Associates, Inc., have a city license signed by a Mr. HENNING; and there is a letter on file signed by Maxwell Associates, Inc., 15 Moor Street, New York City, in which it is stated that Maxwell Associates are agents for the War Assets Administration; and that they store government-owned war surplus material; that they never have title to merchandise but collect commissions on sales made for war surplus to private purchasers.

It is believed possible that there may be a connection between SCHWIMMER's interests and Maxwell Associates. However, source #11 who is believed to be reliable, states that in the many transactions War Assets at Los Angeles has had with Maxwell Associates, everything has always been open and aboveboard; that Maxwell Associates, at the present time, have between 8 and 10 million dollars worth of War Assets Surplus material stored in their warehouse for the government. Source #11 states that retired U.S. Naval Admiral Solomon S. ISQUITH, formerly was associated with Maxwell Associates; that the Admiral now operates an air line between the United States and the Mediterranean. Source #11 is certain that Maxwell Associates did not buy any R-2800 series engines through War Assets in the Los Angeles area; that it is quite possible, however, that they could have purchased them in Honolulu or in any number of other places without War Assets at Los Angeles having any record of the transaction. Source #11 added that he is certain Maxwell & Associates are very familiar with all government regulations, and if an attempt was made to export anything contrary to regulations it was not done through ignorance.

According to sources #11 and #12, a Mr. S. MOSS is the head of the Los Angeles office of Maxwell & Associates.

At the present time, it appears that John L. Westland & Son, Inc., at 354 S. Spring Street, Los Angeles, exporters, are involved as is Service Airways, Inc., in the deliberate falsification of the export documents in the attempt to export the 42 military aircraft engines. However, this matter is now under investigation by the Custom's office at Los Angeles preparatory to prosecution by the United States Attorney's office at Los Angeles. It has not yet been determined whether it will be a civil or criminal action. John L. WESTLAND is a U. S. Naval Reserve officer with the rank of Lieutenant Commander, presently on two weeks active training duty at the Los Alamitos Air Base in Orange County, California. A confidential informant of source #10 stated that John L. WESTLAND (Lt. Comdr., USNR) stated he was "in a jam with Custom's over export licenses" and is seeking legal counsel.

VII. Information concerning Service Airways with particular reference to activities of this concern in Panama, and tie-in with Jewish Agencies purchasing war material:

On 21 April 1948, a confidential, reliable informant of source #1 advised as follows: Service Airways has secured twenty-three Curtiss Commando planes, to be used as feeder planes between the United States and Panama. Service Airways are now attempting to get airplane mechanics to go to Panama. They are offering them \$500 per month salary. It is not known how many have already accepted this employment. Service Airways operates in Panama under the name of LINEAS AEREAS DE PANAMA; they are based at Tocumen Airport in Panama. Service Airways has purchased four C-69's, first three, then one more.

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DIO-1111 Serial 58-48

28 April 1948

Subject: PANAMA-PALESTINE - Commercial Air Line, establishment of.  
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Note: This information is as of April 1948

81203

This same source advised that one of the persons in Panama who appears to be most cooperative with Service Airways is one Marcos A. GELABERT, Director of Aeronautics for the Republic of Panama. A letter from Mr. GELABERT to Mr. SCHWARTZ (or to his company - is is not known which), concerning the licensing of eight C-46 airplanes states "you owe me a chicken dinner". It appears that there is a close relationship and/or friendship between the two; and it is believed advisable, that if any inquiries are made in Panama, it be taken into consideration that there may be very close business or personal friendship between Mr. GELABERT, Director of Aeronautics for the Republic of Panama, and Service Airways and/or Lineas Aereas De Panama.

On 23 April 1948, source #13 advised that Albert MILLER, (who was associated with Leonard WEISSMAN of Foundry Associates, Inc., was involved in the purchase of M3 demolition explosives from War Assets for ultimate shipment to Palestine, and who appears to be possessed of great means, which the foregoing report traces back to Jewish agencies purchasing war material in the United States for use in Palestine) is now in Los Angeles and appears to be very closely associated with Adolph SCHWARTZ and the Service Airways company.

#### VIII. Investigational jurisdiction:

Sources #1 and #10 are presently awaiting a ruling from Washington, D.C. concerning investigational jurisdiction in the above reported violation of law. It is believed that a joint investigation and/or preparation of evidence for use in court may result. Since the Naval Intelligence Office at Los Angeles was instrumental in bringing sources #1 and #10 together to avoid independent action and independent investigations at cross purposes with each other, it is believed that Naval Intelligence will be advised by both sources as developments occur which may have a bearing on the foreign intelligence interest that is within the jurisdiction of Naval Intelligence.

A. M. HURST  
District Intelligence Officer  
Eleventh Naval District

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DIO-11ND

San Diego

13 July

48

See below.

Confidential Informants

A-2

Panama/Palestine Air Line, recent developments.

References: (a) 11ND WNI-96 rpt #48-48, dtd 3/30/48, subj:  
Panama-Palestine, Commercial Air Line, establishment of.  
(b) 11ND WNI-96 rpt #58-48, dtd 4/28/48, same subj.

**BRIEF:** References (a) and (b) reported the establishment of an air line which was to operate between Panama and Palestine, and gave details on attempts to export 42 combat military aircraft engines without State Department license, in violation of law, giving also some details of background information on the principals involved. The below gives additional detail on the violation of law, brings out attempts at smuggling radio equipment out of the United States, and reports the cessation of activity by Service Airways in Los Angeles, the movement of activity also from Panama to Sicily, and shows a definite tie-in of these companies and individuals with Haganah.

This information is as of 9 July 1948

**SOURCE:** Agents of other federal agencies, completely reliable. Since not all of the information is definitely confirmed it is rated as being "probably true".

**REPORT:** Panama/Palestine Air Line; recent developments, with reference to Service Airways, Lineas Aereas de Panama (LAPSA) and tie-in with Haganah.

Adolph William SCHWIMMER of Service Airways is said presently to be in Mexico City, where he has been for several months. One informant, recently returned from Mexico City where he saw SCHWIMMER, reports having seen eight or ten P47 and P51 airplanes there, that reputedly belong to SCHWIMMER and/or his organization (presumably Service Airways or Lineas Aereas de Panama).

According to one of the Sources there is a great deal of growing evidence to indicate that SCHWIMMER and his group flew much military equipment and supplies out of the United States before the April 14th embargo deadline, (particularly airplanes, airplane components, including fighter aircraft, which should not have gone out before the 14th of April without a State Department license). Since April 14th, little is believed to have gone out for the Account of Schwimmer and his organization except as noted below.

ONI (Original & Master Ditto); DIO-11ND

THIS REPORT CONSISTS OF TEN PAGES

CONFIDENTIAL

DIO-11ND Serial 82-16

13 July 1948

Subject: Panama/Palestine Air Line, recent developments.

812205

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This information is as of 9 July 1948.

Of ten(10) C-46 airplanes that left the United States for service with Lineas Aereas de Panama (the last three of which left the United States April 14th) one of them crashed in Mexico City, due to overloading, killing both the pilot and co-pilot. The nine other planes arrived safely in Panama.

Reports from Panama indicate that the nine(9) C-46's have also left Panama and are now in Italy. One Constellation is said also to have been flown to Rome, Italy. Two other Constellations are said still to be in Millville, New Jersey, where they are awaiting the lifting of the arms embargo.

One of the nine C-46 airplanes is reported to have already been shot down in Palestine, killing one of the American pilots (ROSENDAUM, fnu), and injuring three other Americans (EICHLEER, and two others, names not known).

One of the Sources understands, from informants he believes reliable, that the operations of Lineas Aereas de Panama (LAPSA) have practically ceased, with the movement of most or all of the planes to Italy, Sicily, and/or Palestine. Martin BELLEFOND, President of Lineas Aereas de Panama, is believed to have left Panama. It is the studied opinion of one of the Sources that the formation of Lineas Aereas de Panama was only a ruse to get the planes that Haganah wanted in the Near East out of the United States.

A photostatic copy of a letter from "Swift" (Irvin "Swift" SCHINDLER), who is President of Service Airways, 256 W. 57th Street, New York City, to Reynold BILK (a Vice-President of Service Airways, and closely associated with SCHINDLER in his Los Angeles operations) is believed of interest, and reads as follows:

"I spoke to Mr. Vischa F. Berg, and told him you were doing work with the Haganah and that you needed his help. He responded 100%. I think we will get what we need from him without any trouble."

Another communication believed of interest, indicating the ramifications of subject operations, is the following teletype from the Miami, Florida, Customs Office, to the Los Angeles Customs Office:

"Mr. Emerick A. J. Levin & Co., 6216 Whitsett Ave., North Hollywood, Calif., on June 3, 1948, purchased one B-17 NL-5014-N from Aviation Co., Tulsa, Oklahoma. This aircraft flown from Tulsa by Leo Gardner. On June 13th the airplane cleared from San Juan Puerto Rico to the Azores with two other B-17's. All three planes arrived Sicily and are now believed in Palestine. At time of clearance from Miami to San Juan aircraft was in command of Robert (address not known). Airplane was exported without license."

SCHINDLER's aides in Service Airways, all left Los Angeles on or before 6 June 1948 (excepting Leo GARDNER of Los Angeles, who remained behind to handle the clean-up of the company's affairs. Prior to this time Leo GARDNER handled considerable of the business activities of the company; he was in complete control of hiring pilots for about three weeks prior to June 6th, and up to the time the operations moved to Millville, New Jersey). There is now no personnel connected with SCHINDLER's activities left at the Lockheed Air Terminal at Burbank, California. In winding up their activities in Los

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13 July 1948

Subject: Panama/Palestine Air Line, recent developments.

812206

This information is as of 9 July 1948

they shipped three(3) carloads of equipment to Miami, Florida. Nothing is known concerning the disposition of the material in Miami. The equipment included four(4) 3350 airplane engines, one BT13 Consolidated-Vultee trainer plane (the company is said to have three of these trainers in all), 1000 parachute harnesses, and 100 parachutes.

Around the first week of June, thirty-seven (37) of SCHUEMMER's personnel left for New York. Among the Service Airways personnel who left Los Angeles for New York, for transfer to the base of operations in Italy or Sicily, are the following: (The notations after the names are as they appeared on photostatic copies of Service Airways Company records. It is not known whether all or only most of the following have entered the service of the company in the Mediterranean.)

Nathan FOSKEL, Maintenance Civilian for AAF, tool and diemaker.

Alexander KLEIN, machinist, tool and dies.

Hyman GOLDSTEIN, piloted seaplane NY.

Frank LEWIS, pilot P39-40-47-51-63 C-46 C-47.

David M. GRIEVER, Recon. photographer, installed remote controlled aircraft cameras, in fighter planes, trained pilots in recon missions. Air time 150 hours.

Benjamin WEINSTEIN, Meteorologist - AAF weather graduate.

Allan SCHLOAPP, has passport - gunner.

Stanley SEGALL, AAF Crew Chief, Flight Engineer.

Mort COUSINS, Bombardier, navigator, DR navigator, radio, aerial gunner, can send and receive.

Robert AMATO, has seaman's papers, 37 Mariposa Ave., Long Beach.

Paul DIAMOND, has to let us know if available before 60 days, all gun turrets, radio operator, bombardier training.

Wilfred CARTER, Canadian citizen pilot, navigator, 300 hours Anson Training and Fleet, 200 hours Wellingtons and Halifax-s, 200 hours Commercial Waco, RCAF, naval gunnery also.

Joseph S. BERGER, pilot, 821 E. Ranchito, El Monte, Calif. Born 6 August 1915, wife Patricia Berger, date employed 1 June 1948.

Children: one. 1500 hours, AT-6 600 hours; O-47's 100 hours, A-33 20 hours, B-25 400/500 hours, B-26's, B-34's, all types of light planes. Always first pilot. With 12th air force 0 12th group. Also RCAF before AAF, flew European theatres only.

Israel E. BIEDERMAN, born 2 Oct. 1910, pilot, mechanic, wife: Eleanor E. BIEDERMAN. Air experience, N.Y.

I. FELBSTEIN, pilot, Commercial instructor, Army & Navy Bomb.

John ROGER, radio and gunner - send and receives.

Robert SHAMS (name crossed out)

Martin GOLDBERG, Ground crew maintenance of P-47 and P-41.

KAYB, machine gunner.

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13 July 1948

Subject: Panama/Palestine Air Line, recent developments.

This information is as of 9 July 1948

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Robert B. ALEXANDER (marked out).

Leo S. MORIS, 1st Lt. AAF, 1044 Euclid, Santa Monica, Calif., marked "ok". Fighter pilot, hurricane, spitfires, thunderbolts, RAF Aug 1941 March 1943. American Eagle Squadron Aug 1941 - Aug 1942. Single engine. Participated in 110 missions over Europe, Middle East and Tunisia. Transferred to AAF March 30, 1943. Ribbons: Battle of Egypt, Middle East, Campaign Ribbons: Malta Cross, Croix de guerre, Eagle Squadron medal, Br. DFC-General Service Ribbon. 438th Fighter Squadron, 535d Fighter Group. Has valid passport. Pencil notations: \$400.00 Seachcraft, Cuba (?) L.A. and San Antonio, knows Abe LEVIN, Charley Baff Co. Poddy Mercar Charters at Lockheed knows story, knows (?)

Aaron SCHARFF, born 26 Sept. 1922. Occupation: pilot. Wife: Annette B. Rose (Scharff). Children: None.

Joe LANDON, 14 Feb. 1923. Dependent: mother Fannie Levine.

The above names are believed of possible interest in that many indicate men who are probably Navy and Army Reserve Officers. These men, as Reserve Officers, may or may not have applied for permission to leave the United States, or may not have resigned their commissions as they probably should have under existing Navy directives, which provide that, "by law, no member of the Naval Reserve is permitted to accept employment with the government of any foreign country in a capacity which is directly or indirectly under the control of such foreign government". It appears that if and/or when Israel is recognized as a state, all Reserve officers fighting in Israel's behalf are in violation of regulations.

According to one of the Sources, any review of personnel involved in subject operations should include the following:

One Colonel Harold E. BROWN, U. S. Marine Corps Reserves, who operates the Brown Company (Insurance brokers, at 2627 N. Hollywood Way, Burbank, Calif.), is said to have written most or all of the insurance of SCHWIMMER's operations. He is said to have left Los Angeles on the 6th of June, as co-pilot on SCHWIMMER's Constellation (61967, reg. SN67930, Army Serial 643-103-105), for Millville, New Jersey. It is said that Col. BROWN expected then to proceed from Millville for Washington, D.C., where he was to report for two weeks active duty in the Marine Corps Reserves, beginning on or about 7 June. Colonel BROWN is said to have assisted SCHWIMMER's concern in their paper work. He is believed to be a Certified Public Accountant. He has not been interviewed locally, and it is not known how intimately he is tied in with SCHWIMMER's activities. It is believed, but it is not certain, that he is associated with SCHWIMMER only in the writing of insurance and in the handling of tax matters.

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13 July 1948

Subject: Panama/Palestine Air Line, recent developments.

812808

This information is as of 9 July 1948

Herman M. GREENSPUN, 329 N. 5th St., Las Vegas, Nevada, (cousin of Reynold SELK), a lawyer, has acted for the Service Airways Company as a business representative and was known to have been among those who went to Honolulu to purchase the 42 R-2800 10W aircraft engines that were later sent to SCHWILMER Aircraft in Los Angeles, and which were prepared for export in violation of law. GREENSPUN is said to have recently obtained a passport to travel to Rome, Italy, as a business representative of SCHWILMER Aviation Company. GREENSPUN is said to have made a trip recently to the Dominican Republic, in an attempt to sell Trujillo some American war surplus airplanes (this is not confirmed information). Herman M. GREENSPUN carries U.S. Passport #16618. He was born in Brooklyn, New York, 27 August 1909. He was in Panama on or about 12 May 1948, and had in his possession certain radio equipment known as cannon plugs and miscellaneous radio wire and equipment, which was purchased on a rush order and delivered to Leo GARDNER of Service Airways, Inc., at Los Angeles, who in turn delivered the equipment to Herman GREENSPUN, who then flew it to Panama. The equipment was installed in Panama by one Roy Verne BANSCHET.

One Elmer HOLT, member of Service Airways, Inc. is involved in a case referred to in the records of the U. S. Attorney's Office at Los Angeles, as "US vs Aircraft Radio Parts & Accessories weighing 115 lbs. Libel filed June 1948. \$193 W Civil". In this case the Collector of Customs at Los Angeles held 115 lbs of aircraft radio parts and accessories found concealed in the baggage of Elmer HOLT (Service Airways Company employee) in an attempt to smuggle the equipment out of the United States at a time he was enroute to Panama.

The name of AA. FARRELL appears several times in Service Airways Company records as Operations Manager of Service Airways at the New York Office of this company.

It is believed of interest that in the opinion of one of the Sources, the connection of Service Airways with Haganah was only gradually revealed to SCHWILMER. He apparently believed he was getting himself established in an air line to serve between the United States and/or Panama, and Italy and/or Palestine. As developments took shape he then himself learned that many of the planes he was ordered or authorized to purchase were to make only one run to the Near East for military use there. This is evidenced by the fact that investigation locally revealed that SCHWILMER was against purchasing C-46 airplanes, believing they would serve little useful purpose for his trans-Atlantic Air Line. He was, however, instructed from New York to purchase C-46's against his own judgment, only to learn later that the planes were to make only a one-way run to the Mediterranean.

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13 July 1948

Subject: Panama/Palestine Air Line, recent developments.

81209

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This information is as of 9 July 1948

Of additional interest in subject matter is the following, a copy of a letter from the Los Angeles Customs Agent to the United States Attorney at Los Angeles, re: "U.S. v 42 Combat Aircraft Engines No. 8140 - EH", dated 29 June 1948. This letter sums up the results of a comprehensive investigation in Los Angeles of Service Airways, and brings out facts indicating that a contract was made with Societe Aeronautica Italiana of Milano, Italy, and that one plane forced down in Switzerland was found to have guns aboard. One of the Sources has documentary evidence in proof of all statements made in the below letter:

"Reference is made to your letter of June 2, 1948, wherein you enclosed a copy of Petition of Service Airways, Inc., for remission of forfeiture in the above matter. It was requested that this office make an investigation of the statements contained in said Petition and furnish you with a report thereon, together with our recommendation.

"At a time prior to the seizure of the 42 combat aircraft engines the activities of Service Airways, Inc., had come to the attention of the Customs authorities. You are advised that the Federal Bureau of Investigation has extensive files concerning Service Airways, Inc., and also the Department of State has a file on this firm. The files in the Federal Bureau of Investigation are carried under the title of Foundry Associates, Inc.

"There are enclosed and made a part of this report the photostatic copies of reports of previous investigations made by the Supervising Customs Agent, New York, and a copy of his letter of May 18, 1948, file 23-5337, addressed to this office reporting an interview with Mr. Adolph Schwimmer of Service Airways, Inc.

"The inception of the investigation in New York was the discovery of the attempt to illegally export explosives to Palestine. Albert Miller, a Palestinian, and a representative of the Jewish Agency for Palestine, was associated with LEONARD WEISMAN of FOUNDRY ASSOCIATES, INC., who was involved in the attempted exportation of explosives to Palestine. In September 1947, Albert Miller telephoned from New York to ADOLPH SCHWIMMER in Bridgeport, Conn. The purpose of this call was to arrange a meeting in New York. SCHWIMMER is the head of SCHWIMMER AVIATION of Burbank, California. Schwimmer went to New York and met Miller. The meeting place arranged was the Grand Central Station, from where they went to the office of Pratt Steamship Co., 41 East 42nd St., New York City.

"At this meeting Miller advised Schwimmer that he was in New York as a representative of the JEWISH AGENCY and that he resided in Palestine. The purpose of his visit to the United States was to start an air transport line in anticipation of air transport service to Palestine. He felt that the Jews would establish a nation in Palestine in the near future. Schwimmer agreed to work for Miller. The details of procuring equipment were discussed. Long range aircraft were required. Miller authorized Schwimmer to go to Los Angeles to look at the surplus Constellations at the Lockheed Air Terminal. Schwimmer then returned to New York and obtained \$40,000, and with these funds he purchased 3 Constellations from Mr. THOMAS WADSWORTH, Director of Surplus Aircraft, War Assets Administration.

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13 July 1948

Subject: Panama/Palestine Air Line, recent developments.

81210

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This information is as of 9 July 1948

"Schwimmer later received cashier's checks from the Chase National Bank in amounts of \$20,000, \$50,000, \$35,000 and \$59,000. Schwimmer stated that he has no first-hand knowledge of the backing of Albert Miller, but believes that the JEWISH AGENCY is supplying all the money.

"Schwimmer expressed his surprise in the trust that Miller placed in him, stating that all the airplanes were purchased by him in his name, and that \$125,000 was also banked exclusively in his name.

"On the trip that Schwimmer made to Los Angeles he was accompanied by REYNOLD SELK. Later, Schwimmer and Selk were in charge of overhauling and fitting out the Constellations for service. This work was done at the Lockheed Air Terminal. REYNOLD SELK is Vice President of Service Airways, Inc. Service Airways, Inc., is the air transport company which Miller outlined to Schwimmer.

"Service Airways, Inc., was incorporated under the laws of the State of New York on September 15, 1944. IRVIN RONALD SCHINDLER is President, and in charge of operations and general management. IRVIN SCHWARTZ is Vice President, and the firm's chief navigator. SELK, also a Vice President of the firm, is in charge of purchasing and production control.

"In January 1948, the overhaul work on one Constellation was completed and it was flown to MILLVILLE AIRPORT at Millville, New Jersey. Service Airways, Inc., had rented space at this airfield and it was intended that this would be the field for overseas take-off. Difficulties arose due to the fact that the Civil Aeronautics Authority would not grant a certificate to Service Airways, Inc., to operate the Constellations in the condition as overhauled.

"A connection was made with LINEAS AEREAS DE PANAMA, a corporation which has scheduled operating rights out of Panama and it was decided that the airplanes would be operated under the rights granted LINEAS AEREAS DE PANAMA and Service Airways, Inc., would establish a base at TOCUMEN AIRPORT for overseas take-off. Planes and equipment were flown to this field; also operating personnel were flown to Panama.

"The European base of operation was MILANO, Italy, and a contract was entered into with the SOCIETE AERONAUTICA ITALIANO, Milano, Italy. Operating personnel, planes and equipment were flown to this point. One plane flying to the Italian base encountered difficulties and was forced down in Switzerland. Information received by the Customs Agency Service in New York was to the effect that on inspection in Switzerland the plane was found to have guns on board. Schindler was questioned regarding this and stated that he had no knowledge of any cargo of any type being added to the load this aircraft carried at any port.

"In order to establish the base of operation at TOCUMEN AIRPORT, it was necessary to purchase aviation supplies and equipment and ship the material to Panama. The 42 combat aircraft engines were seized when an attempt was made to export them.

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13 July 1948

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Subject: Panama/Palestine Air Line, recent developments.

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This information is as of 9 July 1948

"In connection with the establishment of the base, personnel were employed. On May 5, 1948, a group of this aviation personnel were flying to Panama. One of the party was MINER HOLT, 148 East 7th St., Burbank, Calif. On inspection of his baggage there were found aircraft parts and equipment. This was detained and is referred to under the file in your office as US Vs Aircraft Radio Parts and Accessories weighing 115 lbs. Libel Files June 17, 1948, 8193-WM Civil.

"On April 13, 1948, Mr. V. M. LYNN, an authorized agent of John L. Westland & Son, Inc., Customhouse Brokers, attempted to secure an export permit for 42 P & W R-2800 -53 aircraft engines. He was advised that engines as described in the Export Declaration were not on the State Department "Free" list for exportation. Later, Mr. Lynn again appeared at the Customhouse and with him was Mr. John L. Westland, Jr. On this visit, Mr. Westland changed the classification on the Export Declaration to P & W R-2800 BA. Again it was advised that engines so described were not on the State Department "FREE" list for exportation. Later, Mr. Lynn again appeared at the Customhouse and he changed the classification to read P & W R-2800 CA-15. The export declaration was accepted with this classification.

"On April 14, 1948, the shipment covered by the Export Declaration was received at the dock. It consisted of 86 cases; 14 cases containing blower assemblies, and 42 cases containing aircraft engines. The undersigned inspected four cases containing aircraft engines and from the name data determined them to be Pratt & Whitney, R-2800 - 10 W aircraft engines. The other cases containing engines were not opened, as the marking on the outside of the cases indicated that they also contained P & W R-2800 -10W engines.

"Statements were taken from Mr. V. M. Lynn and Mr. John L. Westland, Jr., and are enclosed and made a part of this report. Mr. Lynn made the changes on the Export Declaration at the direction of Mr. Westland. Mr. Westland states that his firm was employed by Service Airways, Inc. to make this shipment, and that all information contained on the Export Declaration was received from Mr. Reynold Selk who represented himself to be Vice President of Service Airways, Inc. In the first telephone conversation with Selk, Westland advised him that Customs would not accept an Export Declaration for P & W R-2800 -53 engines; that he should supply a corresponding commercial designation. Selk informed Westland that they were BA type aircraft engines. In accordance with these instructions Westland had the Export Declaration amended.

"When the amended Export Declaration was refused by Customs, Westland again telephoned to Selk and advised him that BA was not the proper commercial designation; that what was required was a CA designation. Selk at this time advised Westland that he would call Pratt & Whitney representatives to find out what the commercial designation was for this type of engine. He later telephoned Westland and told him the type was CA-15. Westland instructed LYNN to amend the Export Declaration to show CA-15 engines. Customs accepted the amended declaration. John L. Westland & Son, Inc., Customhouse Brokers' only interest in the shipment was in acting in their capacity as Customhouse Brokers, and such action as was taken by them was at the instruction of Service Airways, Inc.

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DIC-11ND Serial

13 July 1948

Subject: Panama/Palestine Air Line, recent developments.

81212

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This information is as of 9 July 1948

"On June 22, 1948, Mr. Reynold Salk was interviewed in the office of the Customs Agent in Charge. At that time he was represented by counsel, Mr. J. E. SIMPSON, and a statement was taken which is enclosed and made a part of this report. Salk states that he is Vice President of Service Airways, Inc., and that his duties are those of purchasing and production control. He claims that he has no knowledge of the organization and the financing of the corporation, and further, that the reason he was made a Vice President was that he might have power to sign for the corporation rather than sending all papers to the New York office for signature by an officer of the corporation. He claims that the purpose for which Service Airways, Inc. was organized was to start a combined freight--passenger airline between the Eastern Seaboard of the United States and Europe, preferably Rome. He was questioned as to whether it was intended to fly freight into Palestine and he replied that he believed that it was intended to fly freight into Palestine. Salk, acting as Purchasing Agent for the corporation, was furnished funds, and his understanding was that three or four men were furnishing these funds. He states that there were approximately seven transfers of money from New York to his account in the Bank of America, Hollywood, Highland Branch, and he estimates the total of these to be a quarter of a million dollars.

"He relates that he purchased 42 Pratt and Whitney R-2800 -10W aircraft engines through a broker, Mr. Levin, from Universal Airplane Salvage Corporation, at the same time he purchased 44 rear cases. These rear cases are blower casing type 31. According to Salk he recommended that the Pratt & Whitney R-2800 --10W aircraft engines and the blower casings, type 31, be taken to Pacific Air-motive Corporation, Burbank, Calif., and there the engines be converted. He further states he was not in favor of shipping them not converted. He states that in a converted condition the engines could be used on various types of commercial planes. He states that his firm owns 10 C-46 type aircraft and that the engines after being converted, could be used on this type aircraft. However, he states that the 42 engines in the condition as shipped, had not been converted and were R-2800 -10W Pratt & Whitney engines.

"The petition sets forth that Salk communicated with Pratt & Whitney representatives and was informed by them that R-2800--10W engines, with blower cases, were similar to the CA-15 type of engine. The petition states that the petitioner was informed that these engines were obsolete military engines which have not been used on combat planes by the Army or Navy for over two years.

"Mr. J. D. Harris of Pacific Air-motive Corporation, Burbank, Calif., was interviewed on May 10, 1948 and at that time a statement was taken which is enclosed and made a part of this report. Mr. Harris is a technical expert on aviation engines and his firm is the agent for Pratt & Whitney Company. Mr. Harris relates a telephone conversation he had with Adolph William Schwimmer on April 14, 1948. Schwimmer requested Harris to furnish Customs with a written statement, or to converse with them on the telephone and advise Customs that for all intents and purposes the 2800 10W engines, when modified by installing a 2800 - 31 rear case would be an R-2800 CA-15 engine. Harris checked technical records available to his company and determined that such a modification would not qualify these engines as CA-15 type. Harris so informed Schwimmer.

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DIO-11ND Serial 40-48

19 July 1948

Subject: Panama/Palestine Air Line, recent developments. 81213

This information is as of 9 July 1948

"Mr. Harris stated that Pratt & Whitney R-2800 -10W engines, according to official Pratt & Whitney bulletins, were used on P-61-A and B aircraft, both of which are Army designations, and FT-1, F 6 F-3, and additional dash number aircraft, which are Navy numbers. All of these aircraft are combat aircraft. Harris stated that a Pratt & Whitney R-2800 -10W engine would be suitable only for a combat aircraft, however, if extensive modifications were made, the engine could be used on other than combat aircraft. Mr. Harris made a detailed comparison between the R-2800 -10W engine converted with blower case type 31 attached, and the CA-15 engine. This comparison is made a part of his statement.

"Reference is made to a case in your file under title of U.S. Vs. Aircraft Radio Parts and Accessories weighing 115 pounds. Libel filed June 17, 1948, 8193 - RM Civil. This is relative to the detention by the Collector of Customs, Los Angeles, of certain aviation equipment found concealed in the baggage of ELMER HOLT, an employee of Service Airways, Inc., who was attempting to smuggle this equipment out of the United States at a time he was en route to Panama.

"A second statement was taken from Mr. V. H. LYNN, employee of John L. Westland & Son, Inc., Customhouse Brokers, on May 12, 1948. Lynn relates a telephone conversation he received from Service Airways, Inc., wherein they inquired if certain aviation equipment could be shipped out of the country. He obtained the required information and informed Service Airways, Inc., that the equipment would require a license from the State Department before it could be exported. This same equipment was later found concealed in the baggage of ELMER HOLT, an employee of Service Airways, Inc., who was at the time of the discovery, in the act of boarding a plane for Panama.

"The 42 combat aircraft engines seized on April 15, 1948, by the Collector of Customs at Los Angeles were purchased by REYNOLD SELK, Vice President of Service Airways, Inc. Selk knew that these engines were Pratt & Whitney R-2800 -10W type. He bought at the same time, 44 blower cases, Type 31. He did not make the extensive conversions on the Pratt & Whitney R-2800 -10W type engines which would make them suitable to be used on a commercial type aircraft, but attempted to export these engines in their original packing case in the same condition as purchased.

"Adolph William Schwimmer was advised by Mr. J. D. HARRIS of Pacific Airmotive Corporation that the Pratt & Whitney R-2800 -10W engine, when modified by installing a 2800 -31 rear case would not qualify the converted engine as an R-2800 -CA-15 engine.

"Further, that Service Airways, Inc., in a second incident were advised that certain aviation equipment could not be exported without a license from the State Department, and this identical equipment was found concealed in the baggage of an employee of Service Airways, Inc., as he was about to leave the United States.

"In view of the investigations made in New York and the findings in the investigation made in Los Angeles, and consideration being given to a further attempt on the part of Service Airways, Inc., to illegally export aviation equipment, it is recommended that the petition be denied.

G. T. O'NEILL, Acting Dist.  
Eleventh Naval District

Intelligence Officer

ALL THE INFORMATION CONTAINED  
HEREIN IS UNCLASSIFIED  
DATE 11-15-83 BY 10428/AFM/CA

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81-48

DIO-11ND

San Diego, Calif.

14 July

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DIO-11ND Conf. HMI-26 report; 28 April 1948, Serial 68-48; re subject.

See below

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PANAMA-PALESTINE; LATPA; Further Information Concerning.

THIS INFORMATION IS AS OF JULY 1948.

SOURCE:

The information given below was obtained from two women, hereinafter referred to as Sources "A" and "B", respectively, whose husbands currently are overseas in the employ of subject airline. It results from concern felt by both sources regarding the bona fides of subject airline, and the possibility of their husbands becoming involved in legal or international difficulties. Their suspicions have been aroused by the aura of mystery surrounding subject organization's operations, and by their husbands' unscheduled presence in Czechoslovakia with U.S. passports not valid for that country. Both sources came to the attention of this office through another U.S. Government agency to whom they applied for reassurance in connection with their present concern.

BRIEF:

Subject airline maintenance personnel now in Czechoslovakia with U. S. passports not visaed for that country; report having been "run out of" Rome; give names and descriptions of Jewish flight personnel; may be servicing bombers; salary payments to wives received in unorthodox manner; Congressman DOWDER cognizant; advises wives to urge husbands' return to U.S. as soon as possible.

REPORT:

Source "A", on being interviewed, stated that her husband, a former employee of Pacific Overseas Airlines, accepted employment with SCHWIMMER AVIATION COMPANY about the middle of January 1948. She stated that the officials of the SCHWIMMER AVIATION COMPANY are as follows: President, A.W. SCHWIMMER; Vice-President, Ray GILL; next in charge, GAMER (fau); Supervisor of Maintenance, William ZADRA. She further stated that her husband is a hydraulics specialist and mechanic and was employed by SCHWIMMER AVIATION COMPANY to assist in the repair of C-46's and Constellations purchased by SCHWIMMER AVIATION COMPANY from War Assets for the stated purpose of organizing and operating a Trans-Atlantic Airline. She inferred that considerable secrecy and indefiniteness surrounded the actual backers of this venture, their actual purposes, and the nature of the cargo to be carried.

OMI (Original and master ditto); FBI-SD; FBI-LA; DIO-11ND.

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DIC-11ND Serial 431-48

14 July 1948.

Subject: PANAMA-PALESTINE; LAPSA; Further Information Concerning.

THIS INFORMATION IS AS OF JULY 1948.

Conflicting stories were told to Source "A"'s husband and other employees as to where the line would base and what its purpose was to be.

About the first of May, ZAMBA, whom Source "A" describes as "very foreign; and a lot of hot air", offered her husband foreign duty with the airline, explaining that the line would have bases in Panama, Rome, and Mexico City; and about 21 May he offered to send her husband to Mexico City. It was understood that while in Mexico City her husband was to help pack small planes for shipment by water to an unknown destination. This project was to take about two months. In getting the passports for this trip, it was learned that ZAMBA planned to get tourist passports for his men. Source "A"'s husband objected to this, saying that unless passports were obtained for the purpose of working in Mexico City, he would not be interested in the job. Passports were finally secured through John L. HESLAND & Son, Inc., agents for SCHWEIZER AVIATION COMPANY.

Shortly before departure time, ZAMBA informed Source "A"'s husband, an another hydraulics mechanic and Pacific Overseas Airline employee, that they would go to Panama by Pan American Airways, and that from Panama they would go to Rome. They departed the United States on 21 May for Panama. After a short stay in Panama, during which time they repaired other SCHWEIZER planes which had been flown to Panama prior to the 16 May deadline, they departed sometime before 15 June in a C-46 from Panama, their next stop being Natal.

At Natal they were held up for five days by local authorities. In this connection, the following is quoted from a letter to Source "B", written by her husband, another member of this group, under date of 14 June 1948 at Natal:

"Still held up here awaiting permission to leave. The skipper has been working like Marshall trying to get our clearance, but to no avail.

"Our original plans called for an overnight stop here, just to rest up. This is going into the fifth day. Two days ago he got sore and told the local D.A.C. officer (D.A.C. in the States, our holder upper) that we consider ourselves prisoners and would get in touch with American Consul. That blew up though, after all we are free to leave at any time, but we can't take the airplane with us, it's carrying a Panamanian flag. So it boils down to nothing but wait -- we have the Panama Consul in Rio de Janeiro working on clearance."

The same letter stated that:

"Another reason we wanted to get in the air -- we're the last C-46 going over and there are three others held up by mechanical failures en route. Will stop at Casablanca and try and fix one -- another at Dakar, the last made it to Catania, Sicily."

The next letter received from the same source was dated 13 June 1948 at Catania, Sicily, and stated in part:

"We should be leaving for Czechoslovakia in the morning. This place in my estimation seems unfriendly toward the Yankies. No like. We've been run out of Rome, seems like. Operation still very hush hush."

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DIO-1120 Serial #31-48

14 July 1948.

Subject: PANAMA-PALESTINE; LAPSA; Further Information Concerning.

THIS INFORMATION IS AS OF JULY 1948.

Source "A" also received a letter from her husband, dated 20 June at Catania, in which he stated they were leaving for Berno (sic), Czechoslovakia, on 21 June, where they would be based. In this letter he advised Source "A", through a code which they had worked out prior to his departure, that she should get in touch with Congressman George BONDINO at Royal Oaks, Michigan, and give him the full details regarding the SCHMIDT AVIATION COMPANY and the operation of this airline. He also advised that their passports would not be valid in Czechoslovakia. He also stated that this letter might be the last frank letter. On 22 June, he again wrote his wife, while en route from Sicily to Czechoslovakia. Later in this same letter which he completed on 25 June, he stated that he had arrived in Zatec, West Czechoslovakia, and that further mail from him would come through the following address: c/o A. SCHULMAN, Rue De Lausanne 133, Geneva, Switzerland. Source "A" stated that in accordance with their code, her husband was to advise her of the type of airplanes he was servicing, and that unless he had forgotten the code, or had used the wrong word inadvertently, he indicated in this letter from Czechoslovakia that he was working on bombers.

Source "A" further stated that upon receipt of the letter from her husband advising her to get in touch with Congressman BONDINO, she complied with his instructions and gave the Congressman all the details that she knew of the operation. Later her mother, who has a close connection with Congressman BONDINO, advised her that the Congressman had turned over complete information to the State Department and the FBI in Washington. Her mother reported to her that Congressman BONDINO had informed her that the officials of this company were identified with the Communist Party. Source "A" stated that she hesitates to place too high an evaluation on this information as she feels that her mother might have misunderstood or misinterpreted the Congressman's information.

Source "A" named the following ex-Pacific Overseas Airlines employees as now employed by SCHMIDT AVIATION: Gardner E. BARKER, hydraulics mechanic; Mike ONERA, mechanic engineer; Alfred POZOMI, electrician mechanic; Kenneth SAMART, mechanic hydraulics; Bob BARN, mechanic and flight engineer. On the flight from Panama to Czechoslovakia, referred to above, all of these men were aboard the same C-46, in addition to the following flight personnel: Captain, Elliott POLANSKY; Co-Pilot, "Pappy" GILKIN; Ordnanceman, Leo FILLMAN; Navigator, Hogah BETHURNEY.

These latter individuals were described to Source "A" in a letter from her husband, as follows:

"Our flight crew are all Jewish but they're 'white' Jews. The skipper, Elliott POLANSKY, was a Manual Arts instructor at N.Y.C. before the 'call'. Co-pilot 'Pappy' GILKIN, a building contractor in Maine, he owns a lake resort too. The radioman, Leo FILLMAN, for the past 12 years a radio operator in the Merchant Marine, a Brooklyn Jew, but also. The Navigator, Hogah BETHURNEY has been a public accountant in Los Angeles. These men aren't dummies, they are all successful in their chosen field. Makes you feel that this 'call' to Israel is important."

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SIO-1100 Serial 121-22

14 July 1949.

Subject: PANAMA-AMERICAN; 14104; Further Information Concerning.

THE INFORMATION IS AS OF JULY 1949.

According to Source "B", all the planes as they took off from Ontario, California, were very heavily loaded, presumably with maintenance equipment which was to be used by the airline at various bases. The main approximately five C-48's were sent to Mexico City from Ontario by PANAMA-AMERICAN AVIATION COMPANY and that one of them crashed at Mexico City. She further stated that all planes departed Ontario prior to 16 May, and that the last plane to leave was in Tijuana, Baja California, Mexico, on 16 May, at which time she and her husband went to Tijuana to visit with Bob Nash, mechanic and flight engineer of the flight, who stated that their reported destination was Panama.

Source "A" reported that all maintenance men were required to fill out questionnaires in order that their pay checks could be properly processed by AMERICAN AIRWAYS, INC., 252 N. 57th Street, New York City. She stated that her first payment was received on 23 May by Air Mail, Special Delivery, at return address, postmarked New York, and that it was in the form of an express money order made out by Ellen C. DAVIS, 414 West 120th Street, New York City. Source "B"'s payment was similar. The second payment dated 14 June 1949, also in the form of an express money order, was mailed air mail, special delivery, with the return address given as Ellen C. DAVIS, 304 West 58th Street, New York City. The express money order was made out by Ellen C. DAVIS, 414 West 120th Street, New York City. Source "B" has received a third payment under circumstances identical with the first. No connection between the person mailing the money orders with the AMERICAN AIRWAYS, INC., or PANAMA-AMERICAN AVIATION COMPANY is apparent.

Source "A" described William Zappa, the supervisor of maintenance, PANAMA-AMERICAN AVIATION COMPANY, as of German extraction, reared by Foster parents; that he claims he went to Germany early in life where he grew up, and where he was employed in the Zeppelin Works; that he came to the United States aboard a Zeppelin and remained in this country. She stated that he apparently is a man who tells fantastic stories and that after becoming acquainted with him, it is difficult to place much credence in any of his tales. According to recent information received by the wife of Mike GILLES from Mrs. Zappa, 27188th Victory Boulevard, Van Nuys, California, Mr. Zappa is supposed to be in Switzerland. However, Zappa told the husband of Source "A" that he, ZAPPA, had been refused a passport by STATE DEPT. & CIA. It is believed that ZAPPA, together with others of the PANAMA-AMERICAN AVIATION COMPANY, made the trip to Switzerland in a C-48 from Ontario, California, via New Jersey. Source "A" stated that a Mr. POTTER, who pretended to be a close friend of ZAPPA, also accompanied ZAPPA in the group which went to New Jersey.

Sources "A" and "B" were able to give the following information regarding the whereabouts of the families of other employees of this expedition: Gardner T. GILBERT, a bachelor whose relatives live in New York; Mike GILLES, 314 West 7th Street, Ontario, California, (preparing to move to 355 Young Ave., Michigan 2, Michigan); Alfred ROSELI, wife at 334 North Vine Street, Ontario, California; Kenneth STANLEY, wife in Ontario, California; and GALT, wife resides in Van Nuys, California.

Since completing the foregoing portion of this report, it has been learned that Source "A" has received a telegram from Congressman BROWN in which he states that the U.S. State Department Passport Division has informed him that the husbands of both Source "A" and Source "B" had applied for and had been issued passports to Mexico. The wife

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SIC-11ED Serial #81-48

24 July 1948.

Subject: PANAMA-PALESTINE; IAPSA; Further Information Concerning.  
-----THIS INFORMATION IS AS OF JULY 1948.

further states that these passports are valid for all countries outside of the Iron Curtain, but recommends that Source "A" instruct her husband to see the U.S. Consul in Czechoslovakia and to return to the U.S. as soon as possible.

Source "A" also reports that from Mrs. ZADRA she has learned that both Mr. ZADRA and Mr. SCHWIMMER are now in New York City "just ready to go overseas". Source "A" is doubtful of this information, having learned from wives of other maintenance men that "ZADRA and SCHWIMMER have been in New York for the past six weeks 'just ready to go overseas'."

Source "A" further reports the receipt of her latest payment, dated 6 July 1948, in the form of an American Express Money Order, issued by the Trade Bank and Trust Company of New York, with the remitter shown as Ellen G. DAVIS, 414 W. 120th Street, New York City. This payment was mailed airmail, special delivery, with no return address.

Contact will be maintained with Sources "A" and "B" to insure that any further pertinent developments will be reported.

G. E. O'NEILL,  
Acting District Intelligence  
Officer, IISB.